



## Briefing Document

**Resolution:** Establishment of State Employee Employer Contributions for Future Other Post Employment Benefit (OPEB) Liabilities

**Effective Date:** September 13, 2007

**Estimated Cost Impact:** State Funds - \$100,000,000

### Background:

1. The FY2008 Appropriations Act pursuant to H.B. 95 provides for SHBP employer contributions on behalf of state employees equivalent to 22.843% of payroll.  
*"The purpose of this appropriation is to provide a healthcare benefit that is competitive with other commercial benefit plans in quality of care, access to providers and efficient management of provider fees and utilization. The employer contribution rate for the teachers' health benefit plan shall not exceed 18.534% and for the state employees' health benefit plan it shall not exceed 22.843%."*<sup>1</sup>
2. It is the Governor's and General Assembly's intent to utilize a portion of these contributions to begin funding the future Other Post Employment Benefit (OPEB) liabilities for state employees.  
Per H.B. 95: *"Increase funds to reflect appropriated employer contributions for State Health Benefit Plan (SHBP) payments (\$176,102,603) and other post-employment benefits (OPEB) for state employees (\$100,000,000)."*<sup>2</sup>
3. To satisfy the requirements of both the appropriations act and Georgia statute, OPEB funds must be deposited into the Georgia Retiree Health Benefit Fund (the Fund) to provide a mechanism for the State of Georgia to separately safeguard and monitor assets appropriated to address OPEB liability.<sup>3</sup>
4. To achieve a contribution level of \$100,000,000 in state funds (i.e., the "designated" funds), 4.309% of the 22.843% of payroll should be deposited into the Georgia Retiree Health Benefit Fund. This equates to 18.9% of total employer contributions received from state agencies.

	Percent Of:	
	Payroll	Total Contribution
Contribution for Pay as You Go	18.534%	81.1%
Contribution for OPEB	<u>4.309%</u>	<u>18.9%</u>
Total Contribution	22.843%	100.0%

<sup>1</sup> [http://www.legis.state.ga.us/legis/2007\\_08/senate/sbo/HB95%20Community%20Health%20CC.pdf](http://www.legis.state.ga.us/legis/2007_08/senate/sbo/HB95%20Community%20Health%20CC.pdf), #77.99

<sup>2</sup> [http://www.legis.state.ga.us/legis/2007\\_08/senate/sbo/HB95%20Community%20Health%20CC.pdf](http://www.legis.state.ga.us/legis/2007_08/senate/sbo/HB95%20Community%20Health%20CC.pdf), #77.1

<sup>3</sup> O.C.G.A. 45-18-101

5. Once deposited into the Fund for long term investment, the statute requires the department to utilize the investment services of the Division of Investment Services (DIS) of the Teachers Retirement Systems and the Employees Retirement System.<sup>4</sup>
6. In anticipation of the need for OPEB investment services from DIS, the department entered into an Interagency Agreement with DIS in November 2005. (see attached)
7. This DCH Board resolution will authorize DCH to deposit the “designated” employer contributions into the Fund and then make them available to DIS for long term investment.
8. The department will make monthly deposits of the “designated” funds to the Fund as we receive the percent of payroll contributions from state agencies. Once deposited into the Fund, the department will authorize the transfer of the “designated” funds to DIS, also on a monthly basis to maximize investment earnings.
9. DIS will deposit the “designated” Fund contributions into a Special Reserve, separate and apart from other DIS Funds and accounts.
10. Per the terms of the interagency agreement, DIS will provide reports to the department reflecting the composition of the investments, earnings, withdrawals (when applicable although not likely for several years), and the amount of funds contained in the Special Reserve.

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<sup>4</sup> O.C.G.A. 45-18-102(h)